

(Translation)

## Summary of Consolidated Financial Results for the First Half of the Fiscal Year Ending March 31, 2019 (J-GAAP)

October 31, 2018

Listed Company Name: Oki Electric Industry Co., Ltd.

Securities Code: 6703

Stock Exchange Listing: Tokyo Stock Exchange

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Filing of Quarterly Securities Report (Scheduled): November 14, 2018

Commencement of Dividend Payment (Scheduled): –

Supplementary Document on Quarterly Financial Results: Yes

Quarterly Financial Results Briefing: Yes (for institutional investors)

(Amounts less than one million yen have been truncated)

### 1. Consolidated Financial Results for the Six Months Ended September 30, 2018

(from April 1, 2018 to September 30, 2018)

#### (1) Consolidated operating results (cumulative)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended September 30, 2018	193,576	(0.2)	805	–	(849)	–	(2,579)	–
September 30, 2017	193,974	(2.7)	(4,125)	–	(3,344)	–	(4,581)	–

(Note) Comprehensive income Six months ended September 30, 2018: ¥(2,393) million (–%)  
Six months ended September 30, 2017: ¥(3,789) million (–%)

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended September 30, 2018	(29.82)	–
September 30, 2017	(52.76)	–

#### (2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2018	352,884	94,970	26.8
As of March 31, 2018	366,512	102,144	27.3

(Reference) Shareholders' equity As of September 30, 2018: ¥94,744 million  
As of March 31, 2018: ¥100,169 million

### 2. Dividends

	Dividend per share				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2018	–	20.00	–	30.00	50.00
Fiscal year ending March 31, 2019	–	0.00			
Fiscal year ending March 31, 2019 (Projection)			–	50.00	50.00

(Note) Revisions to dividend projection most recently announced: None

3. Consolidated Results Projection for the Fiscal Year Ending March 31, 2019  
(from April 1, 2018 to March 31, 2019)

(Percentage figures indicate year-on-year change)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	450,000	2.7	14,000	81.3	13,000	52.7	5,000	(15.1)	57.81

(Note) Revisions to operating results projection most recently announced: None

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of accounting procedures specific to quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates and restatements
  - 1) Changes in accounting policies in accordance with revision of accounting standards, etc.: None
  - 2) Any changes in accounting policies other than 1) above: None
  - 3) Changes in accounting estimates: None
  - 4) Restatements: None
- (4) Number of shares issued (common stock)
  - 1) Number of shares issued at the end of the period (including treasury shares)
    - As of September 30, 2018 87,217,602 shares
    - As of March 31, 2018 87,217,602 shares
  - 2) Number of treasury shares at the end of the period
    - As of September 30, 2018 706,980 shares
    - As of March 31, 2018 417,875 shares
  - 3) Average number of shares during the period
    - Six months ended September 30, 2018 86,508,352 shares
    - Six months ended September 30, 2017 86,840,183 shares

Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

Explanation regarding appropriate use of results projection and other special notes

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. For the conditions assumed for the results projection and notes on the use of such projections, please refer to “(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other” of “1. Qualitative Information on Financial Results for the Period” on page 4 of the Attachment.

(How to obtain supplementary document on financial results)

The Company is scheduled to hold a financial results briefing for institutional investors on October 31, 2018 (Wednesday). The document on financial results is disclosed on TDNet at the same time as this Summary of Consolidated Financial Results and is also made available on the Company’s website on the same day.

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## 1. Qualitative Information on Financial Results for the Period

### (1) Operating Results

#### 1) Overview of the first half of the fiscal year ending March 31, 2019 (April 1, 2018 to September 30, 2018)

Looking at the global economy during the period under review, in the U.S., the economy continued its steady recovery, due to an increase in private consumption and capital investment as well as a lower unemployment rate, and the economy showed a gradual recovery in emerging countries and Europe. In Japan, although the economy underwent a modest recovery against a backdrop of an improved employment situation and corporate earnings as well as an increase in capital investment, concerns about the future prospects of the global economy are growing due to the protectionist trade policies of the U.S. and the uncertainty caused by the issues surrounding Brexit.

Under this business environment, OKI Group's net sales remained almost flat year on year, at ¥193.6 billion (a ¥0.4 billion or 0.2% decrease year-on-year), with the effect of the consolidation of OKI Electric Cable due to a takeover bid by the EMS business last year compensating for the fall in revenue of the Mechatronics Systems business. Operating income was ¥0.8 billion (a year-on-year improvement of ¥4.9 billion) due to improvements in earnings as a result of the changed project mix in the ICT business, reduced fixed costs as a result of the restructuring and the effect of the weak yen in the Printers business.

Ordinary loss was ¥0.8 billion (a year-on-year improvement of ¥2.5 billion) as a result of improved operating income, in spite of recording ¥1.5 billion in foreign exchange losses as non-operating expenses. Loss attributable to owners of parent was ¥2.6 billion (a year-on-year improvement of ¥2.0 billion).

(Billions of yen)	Six months ended September 30, 2018	Six months ended September 30, 2017	Year-on-year change rate
Net sales	193.6	194.0	(0.2)%
Operating income (loss)	0.8	(4.1)	—
Ordinary loss	(0.8)	(3.3)	—
Loss attributable to owners of parent	(2.6)	(4.6)	—

Net sales and operating income to external customers by business segment were as follows.

#### 2) Results by business segment

##### <ICT>

Net sales came to ¥68.3 billion (a year-on-year decrease of 0.3% or ¥0.2 billion). This was almost flat year on year, with an increase in social infrastructure-related and some public sector projects compensating for a decline in construction projects for existing customers, etc.

Operating income came to ¥0.8 billion (a year-on-year increase of ¥0.7 billion) due to the changed sales project mix, as well as the improvement in profitability resulting from the progress made in promoting management efficiency in development projects.

(Billions of yen)	Six months ended September 30, 2018	Six months ended September 30, 2017	Year-on-year change rate
Net sales	68.3	68.5	(0.3)%
Operating income	0.8	0.1	726.3%

<Mechatronics Systems>

Net sales came to ¥38.5 billion (a year-on-year decrease of 15.3% or ¥6.9 billion). The decline resulted from losing the effect of the increased revenue due to the standardization of the fiscal periods of the Brazilian subsidiary in the same period of the previous fiscal year, as well as the concentration and selection made as part of business structure reforms.

Operating loss was ¥1.7 billion (a year-on-year improvement of ¥1.3 billion) as a result of reduced fixed costs due to the business structure reforms, despite the impact of a decline in sales volume.

(Billions of yen)	Six months ended September 30, 2018	Six months ended September 30, 2017	Year-on-year change rate
Net sales	38.5	45.4	(15.3)%
Operating loss	(1.7)	(3.0)	—

<Printers>

Net sales came to ¥50.8 billion (a year-on-year decrease of 1.9% or ¥1.0 billion). The effect of increased revenue due to the weak yen resulted in net sales remaining almost flat year on year.

Operating income came to ¥2.9 billion (a year-on-year increase of ¥2.3 billion) as a result of the reduction in fixed costs from the business structure reforms conducted in the previous year and the weak yen.

(Billions of yen)	Six months ended September 30, 2018	Six months ended September 30, 2017	Year-on-year change rate
Net sales	50.8	51.8	(1.9)%
Operating income	2.9	0.6	405.0%

<EMS>

Net sales came to ¥32.4 billion (a year-on-year increase of 32.8% or ¥8.0 billion) mainly due to the effect of the consolidation of OKI Electric Cable. Operating income came to ¥1.5 billion, (a year-on-year increase of ¥0.5 billion) owing to the higher sales volume due to the increase in sales.

(Billions of yen)	Six months ended September 30, 2018	Six months ended September 30, 2017	Year-on-year change rate
Net sales	32.4	24.4	32.8%
Operating income	1.5	1.0	48.0%

\* The figures for the six months ended September 30, 2017 have been restated.

<Others>

Net sales came to ¥3.6 billion (a year-on-year decrease of 6.2% or ¥0.2 billion) and operating income came to ¥0.6 billion (flat year on year).

(Billions of yen)	Six months ended September 30, 2018	Six months ended September 30, 2017	Year-on-year change rate
Net sales	3.6	3.8	(6.2)%
Operating income	0.6	0.6	0.8%

\* The figures for the six months ended September 30, 2017 have been restated.

(2) Financial Position

1) Assets, liabilities, net assets, etc., at the end of the first half of the fiscal year ending March 31, 2019

At the end of the period under review, total assets decreased by ¥13.6 billion from the end of the previous fiscal year to ¥352.9 billion. Shareholders' equity decreased by ¥5.5 billion from the end of the previous fiscal year to ¥94.7 billion mainly due to recording of ¥2.6 billion in loss attributable to owners of parent and the distribution of ordinary dividends of ¥2.6 billion during the first half of the fiscal year ending March 31, 2019. As a result, shareholders' equity ratio stood at 26.8%.

With respect to major decreases in assets, there was a decrease of ¥25.0 billion in notes and accounts receivable - trade, while there was an increase of ¥11.2 billion in inventories.

With respect to major decreases in liabilities, there was a decrease of ¥6.3 billion in notes and accounts payable - trade. Loans payable decreased by ¥2.1 billion from ¥81.9 billion at the end of the previous fiscal year to ¥79.8 billion.

2) Cash flows for the first half of the fiscal year ending March 31, 2019

For the period under review, net cash provided by operating activities amounted to ¥10.3 billion (¥4.5 billion of cash inflow for the same period of the previous fiscal year), due mainly to a decrease in working capital.

Net cash used in investing activities amounted to ¥5.1 billion (¥2.8 billion of cash outflow for the same period of the previous fiscal year), due mainly to purchase of property, plant and equipment.

As a result, free cash flow, which is the sum of cash flows from operating activities and cash flows from investing activities, resulted in a net inflow of ¥5.2 billion (net inflow of ¥1.7 billion for the same period of the previous fiscal year).

Net cash used in financing activities amounted to ¥9.4 billion (¥9.8 billion of cash outflow for the same period of the previous fiscal year), due mainly to repayments of loans payable, additional acquisition of shares in a subsidiary, and the distribution of ordinary dividends.

In addition to the above factors, due to an increase of ¥0.3 billion from the effect of exchange rate change on cash and cash equivalents, cash and cash equivalents at the end of the period under review decreased from ¥45.5 billion at the end of the previous fiscal year to ¥41.5 billion.

(3) Forward-Looking Statements Including Projection for Consolidated Operating Results and Other

The results projections announced on May 8, 2018 remain unchanged. In the event that a significant deviation from the figures in the initial plan is observed, having examined the environment in which the business operates, such as future exchange rate fluctuations and market trends etc., the Company will implement prompt disclosure.

(Warning on forward-looking statements)

The forward-looking statements including the projection for the financial results contained in this document are based on information currently available to the Company and certain assumptions that the Company deems to be reasonable, and actual results may differ from such statements due to a variety of factors. Major factors that may affect actual results include market trends, a sharp rise in raw material prices, abrupt currency fluctuations and disasters. It should be noted, however, that factors that may affect actual results are not limited to these items.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2018	As of September 30, 2018
<b>Assets</b>		
Current assets		
Cash and deposits	48,698	44,423
Notes and accounts receivable - trade	97,936	72,913
Finished goods	17,041	22,367
Work in process	21,867	27,718
Raw materials and supplies	21,296	21,301
Other	18,036	21,841
Allowance for doubtful accounts	(132)	(145)
Total current assets	224,743	210,418
Non-current assets		
Property, plant and equipment	52,048	52,086
Intangible assets	9,952	10,008
Investments and other assets		
Investment securities	48,760	47,226
Other	31,006	33,145
Total investments and other assets	79,766	80,371
Total non-current assets	141,768	142,466
Total assets	366,512	352,884
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	67,124	60,831
Short-term loans payable	58,958	63,719
Provision	4,404	5,030
Other	56,174	55,344
Total current liabilities	186,661	184,925
Non-current liabilities		
Long-term loans payable	22,956	16,090
Provision for directors' retirement benefits	502	510
Other provision	1,642	1,856
Net defined benefit liability	27,814	28,335
Other	24,790	26,195
Total non-current liabilities	77,705	72,988
Total liabilities	264,367	257,914
<b>Net assets</b>		
Shareholders' equity		
Capital stock	44,000	44,000
Capital surplus	19,795	19,820
Retained earnings	45,983	40,800
Treasury shares	(563)	(994)
Total shareholders' equity	109,215	103,626
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,578	5,587
Deferred gains or losses on hedges	34	139
Foreign currency translation adjustment	(12,203)	(11,291)
Remeasurements of defined benefit plans	(3,455)	(3,316)
Total accumulated other comprehensive income	(9,045)	(8,881)
Share acquisition rights	101	106
Non-controlling interests	1,873	118
Total net assets	102,144	94,970
Total liabilities and net assets	366,512	352,884

(2) Consolidated Statements of Income and Comprehensive Income  
(Consolidated Statements of Income)  
(For the Six Months Ended September 30, 2017 and 2018)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	193,974	193,576
Cost of sales	148,286	143,016
Gross profit	45,687	50,560
Selling, general and administrative expenses	49,813	49,754
Operating income (loss)	(4,125)	805
Non-operating income		
Interest income	125	50
Dividend income	1,115	780
Foreign exchange gains	418	–
Miscellaneous income	671	256
Total non-operating income	2,330	1,087
Non-operating expenses		
Interest expenses	801	797
Foreign exchange losses	–	1,496
Miscellaneous expenses	747	448
Total non-operating expenses	1,548	2,741
Ordinary loss	(3,344)	(849)
Extraordinary income		
Gain on sales of non-current assets	479	1,021
Gain on sales of investments in capital of subsidiaries and associates	119	–
Total extraordinary income	599	1,021
Extraordinary losses		
Loss on disposal of non-current assets	111	101
Business structure improvement expenses	1,395	1,645
Total extraordinary losses	1,506	1,746
Loss before income taxes	(4,252)	(1,574)
Income taxes - current	1,015	437
Income taxes - deferred	(526)	548
Total income taxes	488	986
Loss	(4,740)	(2,560)
Profit (loss) attributable to non-controlling interests	(158)	19
Loss attributable to owners of parent	(4,581)	(2,579)



(Consolidated Statements of Comprehensive Income)  
(For the Six Months Ended September 30, 2017 and 2018)

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Loss	(4,740)	(2,560)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,537	(990)
Deferred gains or losses on hedges	(446)	104
Foreign currency translation adjustment	(176)	914
Remeasurements of defined benefit plans, net of tax	0	138
Share of other comprehensive income of entities accounted for using equity method	36	–
Total other comprehensive income	950	166
Comprehensive income	(3,789)	(2,393)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(3,635)	(2,416)
Comprehensive income attributable to non- controlling interests	(154)	22

## (3) Consolidated Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
<b>Cash flows from operating activities</b>		
Loss before income taxes	(4,252)	(1,574)
Depreciation	6,495	5,848
Increase (decrease) in provision	26	1,006
Interest and dividend income	(1,240)	(830)
Interest expenses	801	797
Loss (gain) on sales of investments in capital of subsidiaries and affiliates	(119)	–
Loss (gain) on disposal of non-current assets	(367)	(903)
Decrease (increase) in notes and accounts receivable - trade	26,227	28,471
Decrease (increase) in inventories	(9,123)	(11,659)
Increase (decrease) in notes and accounts payable - trade	(2,140)	(8,644)
Increase (decrease) in accrued expenses	(1,531)	(835)
Other, net	(8,571)	287
Subtotal	6,203	11,962
Interest and dividend income received	1,240	831
Interest expenses paid	(784)	(798)
Income taxes paid	(934)	(1,378)
Payments for loss on Anti-Monopoly Act	(1,261)	(349)
Net cash provided by (used in) operating activities	4,462	10,267
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(2,956)	(4,871)
Proceeds from sales of property, plant and equipment	2,046	1,261
Purchase of intangible assets	(1,325)	(1,337)
Payments for sales of investments in capital of subsidiaries resulting in change in scope of consolidation	(141)	–
Other payments	(610)	(571)
Other proceeds	137	392
Net cash provided by (used in) investing activities	(2,849)	(5,126)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	3,705	7,574
Repayments of long-term loans payable	(9,696)	(10,681)
Cash dividends paid	(2,590)	(2,593)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(1,739)
Repayments of lease obligations	(1,302)	(1,526)
Other, net	38	(449)
Net cash provided by (used in) financing activities	(9,844)	(9,415)
Effect of exchange rate change on cash and cash equivalents	382	301
Net increase (decrease) in cash and cash equivalents	(7,848)	(3,973)
Cash and cash equivalents at beginning of period	51,980	45,481
Cash and cash equivalents at end of period	44,132	41,508

(4) Notes to Consolidated Financial Statements

(Going Concern Assumption)

Not applicable

(Significant Changes in Shareholders' Equity)

Not applicable

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" and relevant Guidances)

The Company has applied the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets were presented under "Investments and other assets" and deferred tax liabilities were presented under "Non-current liabilities."

## (Segment Information)

## I First half of the fiscal year ended March 31, 2018 (from April 1, 2017 to September 30, 2017)

## Information about amounts of net sales, income and loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	ICT	Mechatronics systems	Printers	EMS	Total				
Net sales									
Net sales to external customers	68,506	45,410	51,820	24,388	190,125	3,849	193,974	–	193,974
Intersegment net sales or transfers	1,922	932	2,974	344	6,174	7,731	13,906	(13,906)	–
Total	70,429	46,342	54,794	24,732	196,299	11,580	207,880	(13,906)	193,974
Segment income (loss)	101	(2,986)	578	1,040	(1,267)	602	(665)	(3,460)	(4,125)

- (Notes)
1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.
  2. The adjustment to segment income or loss of ¥(3,460) million includes the elimination of intersegment transactions of ¥38 million, corporate expenses not allocated to each reportable segment of ¥(3,482) million, and an adjustment to non-current assets of ¥(17) million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
  3. Segment income or loss is adjusted with operating loss in the consolidated statements of income.

## II First half of the fiscal year ending March 31, 2019 (from April 1, 2018 to September 30, 2018)

## 1. Information about amounts of net sales, income and loss by reportable segment

(Millions of yen)

	Reportable segments					Others (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated statements of income (Note 3)
	ICT	Mechatronics systems	Printers	EMS	Total				
Net sales									
Net sales to external customers	68,283	38,479	50,815	32,388	189,967	3,609	193,576	–	193,576
Intersegment net sales or transfers	2,181	988	2,460	401	6,032	7,793	13,826	(13,826)	–
Total	70,465	39,468	53,276	32,789	195,999	11,403	207,402	(13,826)	193,576
Segment income (loss)	835	(1,747)	2,919	1,540	3,546	606	4,153	(3,347)	805

- (Notes)
1. “Others” consists of businesses not included in the reportable segments, such as provision of services, and manufacturing and sales of other equipment products.
  2. The adjustment to segment income or loss of ¥(3,347) million includes the elimination of intersegment transactions of ¥(2) million, corporate expenses not allocated to each reportable segment of ¥(3,352) million, and an adjustment to non-current assets of ¥7 million. Corporate expenses are mainly general and administrative expenses and research and development expenses that are not attributable to the reportable segments.
  3. Segment income or loss is adjusted with operating income in the consolidated statements of income.

## 2. Matters related to changes in reportable segments

In the first quarter of the fiscal year ending March 31, 2019, the EMS business underwent restructuring for the purpose of enhancing its ability to offer a one-stop service from sales through design, manufacture, and evaluation. Because of this, some businesses that were previously classified as “Others” are now included in the “EMS business.”

Furthermore, disclosure of segment information for the first half of the fiscal year ended March 31, 2018, is based on the reportable segments after the implementation of these changes.